Manitoba Lotteries Corporation

Annual Report 1999 - 2000

Letter of Transmittal

Honourable Diane McGifford
Minister responsible for Lotteries
Room 118, Legislative Building,
Winnipeg, Manitoba
R3C 0V8

September 1, 2000

Dear Honourable Minister:

I have the honour to present you with the Annual Report of the Manitoba Lotteries Corporation for the fiscal year ended March 31, 2000.

Respectfully submitted,

Beverly Suek
Chairperson
Board of Directors,
Manitoba Lotteries Corporation

About the Manitoba Lotteries Corporation

The Manitoba Lotteries Corporation (MLC) is a Crown Corporation of the provincial government answering to the Minister responsible for Lotteries. The MLC's mission is to generate long term economic benefit to the people of Manitoba by providing high quality gaming related entertainment and service within a framework of integrity and social responsibility.

Administered by a board of directors appointed from the community, the MLC manages and operates the Club Regent and McPhillips Street Station Casinos and a Video Lottery Terminal (VLT) network. The MLC is responsible for the sale of breakopen tickets and bingo paper throughout the province.

The MLC also distributes and sells tickets for lotteries operated by the Western Canada Lottery Corporation (WCLC) and the Interprovincial Lottery Corporation (ILC).

Revenue from lotteries and gaming activities is directed to the Province of Manitoba to support priority social programs and local community activities.

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Chairperson and President's Report

The past fiscal year has been a successful, yet challenging one for Manitoba Lotteries Corporation (MLC). This past year a financial investigation and human resources review of the Corporation were conducted in March, 2000. The financial investigation, conducted by provincial auditor Jon Singleton, investigated issues regarding administrative and financial practices and policies, while a human resources review, initiated by the Board of Directors and conducted by P. Colleen Suche Q.C., investigated human resource practices and employee issues.

With a new Board of Directors at its helm, the MLC is addressing the recommendations of the financial and human resource investigations in order to ensure the Corporation provides the best working environment possible for its employees. As well, the Board and MLC management are initiating changes that will improve accountability, and re-build the trust and confidence of the public and MLC employees.

On July 18, 1999, the Crystal Casino was closed and its operations were combined with McPhillips Street Station and Club Regent Casinos. On July 20th and 21st, 1999 the enhancements to McPhillips Street Station and Club Regent Casinos were unveiled to the public.

The two casinos have now been transformed into full-service, tourist destination casinos, currently attracting some 10,000 guests per day, and 1000 bus tours per year.

MLC now employs about 1900 employees, an increase of over 700 people in the past two years. A tribute must be paid to MLC employees for the successful year the Corporation achieved financially. We thank all employees for their hard work and dedication.

MLC recorded a net income of $230 million

for the fiscal year ending March 31, 2000, compared to $225.1 million in net income for 1998-99. This increase of approximately $4.9 million, or 2.2% was primarily a result of increased net revenue in Lottery and Video Lottery Terminal (VLT) operations.

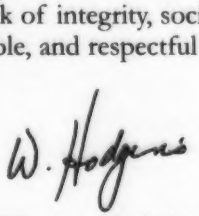
MLC is also proud to support a multitude of social, sport, cultural and community organizations and events across the province. MLC was a major sponsor of the 1999 Pan Am Games and is a major sponsor for the 2000 Manitoba Summer Games. MLC also supported events such as the Royal Manitoba Winter Fair in Brandon, the Aurora Festival in Churchill, the Mother-Daughter Heart and Stroke Walk and cultural events such as Folklorama.

Through the MLC volunteer bingo operations some 400 non-profit groups have raised approximately $4 million for their organizations.

MLC also increased funding support for the Addictions Foundation of Manitoba (AFM) with annual funding of $1.6 million. MLC is currently working with the AFM in developing a customer assistance program to identify and assist those people with gambling problems.

Going forward, MLC remains committed to providing high-quality gaming products and services, delivered within a framework of integrity, social responsibility and a fair, equitable, and respectful workplace.

Beverly Suek
Chairperson



Winston Hodgins
Acting President
and CEO

The following review presents data and comments on the Manitoba Lotteries Corporation's (MLC) financial position and results of operations for the fiscal year 1999-2000. It should be read in conjunction with the financial statements that follow.

Year 2000

The MLC developed an extensive plan involving all of its computer and gaming systems to be prepared for the Year 2000. This plan continued on schedule throughout the fiscal year and all systems within the Corporation were Year 2000 compliant by November, 1999. There were no incidents reported.

Video Lottery

On March 31, 2000, there were 4,448 VLTs installed at 543 off-reserve locations throughout the province. As well, there were 519 VLTs on 22 First Nation sites. Assiniboia Downs, Manitoba's largest racetrack, offers 140 combination pari-mutual/electronic game machines in partnership with the MLC. Net revenue generated in 1999-2000 increased by $7.4 million, or 5.7%, over the previous fiscal year to $137.4 million.

Video Lottery

April 1, 1999 - March 31, 2000
(in $ Millions)

Dollars Deposited	$ 650.7	
Dollars Played		$ 2,847.3
Dollars Won		2,643.2
Dollars Cashed Out	446.6	
Revenue	204.1	204.1
Other Revenue		1.3
Total Revenue		205.4
Siteholder Commission		54.3
Direct Operating Expenses		13.7
Net Revenue		$ 137.4

Average Prize Payout

$$\text{Average Prize Payout} = \frac{\text{Dollars Won (Prizes)}}{\text{Dollars Played}} = \frac{\$2,643.2}{\$2,847.3} = 92.8\%$$

LOTTERY

The MLC is a partner in the Western Canada Lottery Corporation (WCLC), a regional marketing organization responsible for the development and conduct of lotteries in the prairie provinces and Territories. The MLC is the sole distributor of lottery products in Manitoba and is responsible for the development and maintenance of an effective retailer network for the sale of lottery tickets. Over 800 lottery ticket retailers offer a complete range of lottery and instant prize products to players throughout the province.

Nine $1 million-plus jackpots were won by Manitobans during the fiscal year. This streak of windfalls extended the popularity of Super 7, The Plus and Western 6/49 products, and helped spur increased Lottery sales. Strong sales in $1, $2 and $3 Scratch 'n Win tickets, and local retail-based promotions, also translated into a strong customer base for those lottery products.

The success of these products resulted in a net revenue increase of $2.9 million to $46.9 million, an overall increase of 6.5% over the last fiscal year.

Lottery Sales (In $ Millions)

Product	1999-2000	1998-99	Increase [Decrease]	Percentage Change
Lotto 6/49	$ 51.4	$ 54.9	$ (3.5)	(6.4)
Scratch 'n Win	41.6	39.5	2.1	5.3
Sport Select	15.6	14.3	1.3	9.1
The Plus	15.8	14.3	1.5	10.5
Super 7	13.5	8.2	5.3	64.6
Western 6/49	6.7	1.2	5.5	458.3
Pick 3	3.1	2.8	0.3	10.7
Extra	3.5	2.1	1.4	66.7
POGO	—	1.5	(1.5)	—
Special Event	—	0.8	(0.8)	—
	$ 151.2	$ 139.6	$ 11.6	**8.3%**

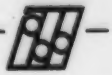
McPhillips Street Station Casino

Step out and step back in glamorous style at the turn-of-the-century themed McPhillips Street Station Casino (MSSC). MSSC offers players slot machines from 5 cents to $500 denominations and a wide variety of touchscreen games including keno, poker, and swinging bells. Traditional favorites - paper bingo and video bingo, are also available. As a result of the consolidation with the Crystal Casino, MSSC now offers table games such as Blackjack, Mini Baccarat, Pai Gow Poker, Caribbean Poker, Roulette and Let it Ride. For the Poker enthusiasts there is 7 Card Stud and Texas Hold 'em played in The Library, an elegant and serene poker room setting.

As well, MSSC now offers plenty of entertainment experiences, with local and national entertainers performing in the concert bowl and lounges. Fine cuisine is available at Michele's Restaurant. Passengers can travel back in time on the Millennium Express - a multi-sensory, multi-media theatre experience exploring the history and cultural diversity of Manitoba.

Net revenue at MSSC for the fiscal year 1999-2000 amounted to $30.7 million, a decrease of $1.7 million or 5.2% compared to the previous year. Increased staffing, training and start-up costs related to the expansion project affected Casino net revenues.

Management Report



The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Deloitte & Touche LLP, they reviewed the Corporation's internal controls to the extent they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Deloitte & Touche LLP is to express an independent opinion on whether the financial statements are fairly stated in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Deloitte & Touche LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the financial statements before approving them. The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

W. Hodgins

Winston Hodgins
Acting President & CEO

Peter Hak

Peter Hak
Senior Vice President
& COO

May 10, 2000

Auditors' Report

To the Board of Directors

Manitoba Lotteries Corporation

We have audited the balance sheet of Manitoba Lotteries Corporation as at March 31, 2000 and the statements of net income, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 10, 2000

Balance Sheet

March 31, 2000
(in thousands)

	Notes	2000	1999
Assets			
Current Assets			
Cash		$ 13,438	$ 6,402
Accounts Receivable	3	7,161	5,917
Prepaid expense	4	2,264	1,702
Inventories	5	3,932	2,643
		26,795	16,664
Capital Assets	6	174,954	110,385
		$ 201,749	$127,049

Liabilities & Equity Advance

Current Liabilities			
Accounts payable & accruals	7	$ 17,298	$ 25,944
Due to the Government of Manitoba		5,117	74
Due to organizations		72	83
		22,487	26,101
Long Term Debt	8	173,977	95,676
Accumulated Pension Benefits		285	272
Equity Advance from the Government of Manitoba	9	5,000	5,000
		$ 201,749	$ 127,049

On behalf of the Board,

Gerald Rosenby
Director & Chair of the
Audit Committee

Beverly Suek
Director & Chair
of the Board

Manitoba Lotteries Corporation

Statement of Net Income

for the year ended March 31, 2000
(in thousands)

	Schedules	2000	1999
Net Revenue			
Video Lottery	1	**$ 137,363**	$ 129,929
Lottery	2	**46,920**	44,052
McPhillips Street Station	3	**30,712**	32,392
Club Regent	4	**23,298**	24,191
Crystal Casino	5	**3,269**	7,036
Bingo and breakopen products	6	**3,493**	3,514
Interest Income		**398**	314
Other Income		**53**	131
		245,506	241,559
General and administration expenses	7	**(9,879)**	(10,913)
Funding to:			
Addictions Foundation of Manitoba		**(1,652)**	(1,577)
Charitable Organizations		**(3,932)**	(3,939)
Net Income		**$ 230,043**	$ 225,130

Manitoba Lotteries Corporation

Statement of Cash Flows

for the year ended March 31, 2000
(in thousands)

	2000	1999
Cash provided by operating activities		
Net Income	**$ 230,043**	$ 225,130
Non-cash charges to income:		
Depreciation and amortization	**12,376**	13,584
Deferred pension benefits	**13**	54
	242,432	238,768
Net changes in working capital items	**(11,787)**	9,534
Cash provided by operating activities	**230,645**	248,302
Cash Distribution		
The Government of Manitoba	**(225,000)**	(225,000)
Financing		
Increase in long term debt	**77,692**	41,270
Deferred pension benefits	**-**	(4,401)
	77,692	36,869
Cash investment activities		
Purchase of capital assets	**(76,301)**	(66,866)
Increase (Decrease) in cash balance during the year	**7,036**	(6,695)
Cash balance, beginning of year	**6,402**	13,097
Cash balance, end of year	**$ 13,438**	$ 6,402

Manitoba Lotteries Corporation

SCHEDULE 1 -
NET VIDEO LOTTERY REVENUE

for the year ended March 31, 2000
(in thousands)

	2000	1999
Revenue		
Video Lottery	$ 205,465	$ 195,687
Expenses		
Cartage	43	42
Commission	54,369	51,088
Community Support	221	75
Depreciation and amortization	1,646	3,555
Gaming control registration fee	493	503
Goods and services tax	3,167	2,999
Health and education tax	59	57
Interest	1,400	1,535
Maintenance transportation	585	564
Merchandising prizes	57	65
Pension	40	35
Postage and telephone	641	633
Consultant fees	106	97
Rentals, repairs and maintenance	1,863	1,309
Salaries and benefits	3,076	2,836
Sundry	64	46
Supplies and printing	272	319
	68,102	65,758
Net Revenue	$ 137,363	$ 129,929

Manitoba Lotteries Corporation

SCHEDULE 2 - NET LOTTERY REVENUE

for the year ended March 31, 2000
(in thousands)

	2000	1999
Revenue		
Lottery sales	$ 151,187	$ 139,624
Less: Cost of sales	97,115	88,574
	54,072	51,050
Interest and other	815	821
	54,887	51,871
Expenses		
Depreciation and amortization	55	45
Freight and delivery	144	138
Gaming control registration fee	4	6
Goods and services tax	71	65
Health and education tax	23	30
Interest	156	177
Merchandising prizes	487	340
Pension	31	34
Postage and telephone	66	56
Consultant fees	9	-
Rentals, repairs and maintenance	285	324
Retailer training and support	123	97
Salaries and benefits	1,235	1,564
Signs and fixtures	96	81
Sundry	19	20
Supplies and printing	9	14
	2,813	2,991
	52,074	48,880
Allocation to the Provinces of Alberta and Saskatchewan	3,055	2,868
Payment to the Government of Canada (note 10)	2,099	1,960
Net Revenue	$ 46,920	$ 44,052

Schedule 3 - Net Revenue - McPhillips Street Station

for the year ended March 31, 2000
(in thousands)

	2000	1999
Revenue		
McPhillips Street Station	$ 74,711	$ 55,656
Expenses		
Depreciation and amortization	4,634	4,219
Gaming control registration fee	333	281
Goods and services tax	756	314
Health and education tax	402	202
Interest	2,958	769
Merchandising prizes	1,645	812
Pension	217	97
Postage and telephone	516	170
Consultant fees	149	97
Rentals, repairs and maintenance	8,240	4,668
Salaries and benefits	20,199	10,118
Security	72	49
Sundry	264	381
Supplies and printing	1,970	481
Tourism marketing and entertainment	1,644	606
	43,999	23,264
Net Revenue	$ 30,712	$ 32,392

Club Regent Casino

Walk through an oasis on the prairies with palm trees, singing birds and a 150,000-litre salt water aquarium where sharks, eels and tropical fish swim in Neptune's Cave under a sunken spanish galleon.

Under a ceiling of blue sky, guests can choose from a variety of slot machines with denominations ranging from 5 cents to $500, or choose electronic gaming fare with touch screen games: video poker, swinging bells, keno, video bingo and traditional paper bingo. With the consolidation of Crystal Casino, Blackjack, Mini-Baccarat, Pai Gow Poker, Caribbean Poker, Roulette and Let it Ride table games are now available in the expanded section of the Casino, set in Mayan ruins with an animatronic serpent and jaguar in the wings.

The enhanced Casino also includes the Royal Palms Restaurant, licensed lounges and a sports teletheatre with live pari-mutual race wagering and free pay-per-view sport attractions. Popular entertainment can be viewed in the spacious concert bowl, where traditional bingo is also played.

Net revenue for the 1999-2000 fiscal year for Club Regent Casino amounted to $23.3 million, a $900,000 decrease, or 3.7% from the previous fiscal year. Increased staffing, training and start-up costs related to the expansion projects affected casino net revenues.

Crystal Casino

On July 18, 1999, Canada's first year-round casino, the Crystal Casino, officially closed its doors. Gaming operations at the Casino were consolidated with McPhillips Street Station and Club Regent Casinos in July 1999.

Net revenue for the 1999-2000 fiscal year amounted to $3.3 million.

Bingo & Breakopen Product

Through lottery retail outlets and charitable organizations across Manitoba the MLC markets a selection of 25 breakopen games, ranging in price from 25 cents to $2. Products include popular formats such as Criss Cross, Double Up and Match 3, as well as a variety of seasonal favorites such as Cool Cash and Cabin Fever. MLC also offers cross-promotional breakopen products at McPhillips Street Station and Club Regent Casinos.

The number of lottery retail outlets offering breakopen tickets last fiscal year increased to 701, compared to 671 in the 1998-99 fiscal year and 382 in 1997-98.

The combined bingo and breakopen product net revenue amounted to $3.49 million for the 1999/2000 fiscal year compared to $3.51 million last fiscal year - a marginal decrease of $20,000.

Manitoba Lotteries Corporation

Schedule 4 - Net Revenue - Club Regent

for the year ended March 31, 2000
(in thousands)

	2000	1999
Revenue		
Club Regent	$ 65,498	$ 44,769
Expenses		
Depreciation and amortization	4,617	3,393
Gaming control registration fee	306	240
Goods and services tax	719	314
Health and education tax	377	179
Interest	3,234	703
Merchandising prizes	1,581	844
Pension	190	91
Postage and telephone	381	171
Consultant fees	140	61
Rentals, repairs and maintenance	8,352	4,368
Salaries and benefits	19,087	8,883
Security	52	28
Sundry	217	291
Supplies and printing	1,358	399
Tourism marketing and entertainment	1,589	613
	42,200	20,578
Net Revenue	$ 23,298	$ 24,191

Schedule 5 - Net Revenue - Crystal Casino

for the year ended March 31, 2000
(in thousands)

	2000 (note 11)	1999
Revenue		
Crystal Casino	$ 7,015	$ 20,042
Expenses		
Depreciation and amortization	161	674
Gaming control registration fee	24	74
Goods and services tax	76	200
Health and education tax	42	157
Interest	69	229
Merchandising prizes	167	682
Pension	27	80
Postage and telephone	37	70
Consultant fees	5	170
Rentals, repairs and maintenance	614	1,752
Salaries and benefits	2,272	7,598
Security	122	81
Sundry & exit costs	21	903
Supplies and printing	95	283
Tourism marketing	14	53
	3,746	13,006
Net Revenue	$ 3,269	$ 7,036

Schedule 6 - Net Bingo and Breakopen Revenue

for the year ended March 31, 2000
(in thousands)

	2000	1999
Revenue		
Bingo paper sales	$ 2,005	$ 2,066
Less: Cost of sales	1,618	1,677
	387	389
Breakopen ticket sales	5,042	5,031
Less: Cost of sales	1,144	1,238
	3,898	3,793
Expenses		
Cartage	89	87
Depreciation and amortization	6	11
Goods and services tax	246	251
Interest	13	15
Licensee and retailer promotions	43	26
Rentals, repairs and maintenance	272	173
Salaries and benefits	116	89
Sundry	7	16
	792	668
Net Revenue	$ 3,493	$ 3,514

Schedule 7 - General and Administration Expenses

for the year ended March 31, 2000
(in thousands)

	2000	1999
Expenses		
Board of Directors	$ 53	$ 45
Cartage	75	72
Community Support	322	263
Depreciation and amortization	1,256	1,686
Gaming Control Registration Fee	11	16
Health and Education tax	85	88
Interest	106	117
Pension	73	131
Postage and Telephone	248	258
Professional fees	933	750
Rentals, repairs and maintenance	1,424	1,404
Salaries and benefits	4,662	5,236
Sundry	298	496
Supplies and printing	333	351
Total Expenses	$ 9,879	$ 10,913

Notes to Financial Statements

for the year ended March 31, 2000

1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown Corporation under the name of the Manitoba Lotteries Corporation.

2. Significant Accounting Policies

(a) *Revenue and expenses recognition*

Revenue and expenses are recorded on an accrual basis except for lottery revenue, which is recorded as of the draw date for each ticket. Video lottery and other gaming revenue is recorded net of prizes paid.

(b) *Capital assets and depreciation*

Capital assets are recorded at cost. Furniture and equipment are depreciated on a straight-line basis over 5 years. Buildings and parking lots are depreciated on a straight-line basis over 30 years (Note 14). Leasehold improvements are amortized over the term of the lease.

Capital costs are normally subject to a full year's depreciation in the fiscal year of acquisition. Due to the significance of the casino expansion capital costs and to better match revenues to expenses, depreciation in 1999/2000 on these capital assets is recorded for the eight months since the opening of the expanded casinos. Depreciation on casino expansion capital costs will increase by $2 million in 2000/2001 when 12 months depreciation will be applied.

(c) *Goods and Services Tax*

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation pays an additional 7% GST on gaming expenditures, including retailer commissions. This additional 7% is reported as GST expense.

The additional 7% GST paid on capital expenditures is included in the cost of the asset.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(d) *Pension costs*

The Corporation makes contributions for employees and officers to a Money Purchase pension plan at prescribed rates. The pension expense related to this plan for the 2000 fiscal year is $428,000 (1999 - $255,000).

Certain other employees and officers of the Corporation are pensionable under the Civil Service Superannuation Fund (the Fund). The Corporation funded in total the actuarial present value of all prior accrued basic pension and indexing obligations as at December 31, 1997. The amount funded was $4.4 million. A reserve of $285,000 (1999- $272,000) has been established as a pension liability for those employees whose annual earnings exceed the limit under the Fund plan.

Effective January 1, 1998, the Corporation began matching employee contributions to the Fund at prescribed rates. Current service contributions are recorded as an operating expense. The pension expense related to this plan for the 2000 fiscal year is $154,000 (1999 - $154,000).

(e) *Financial Instruments*

FINANCIAL RISK

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to

reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of long term debt.

CREDIT RISK

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

3. Accounts Receivable (in thousands)

	2000	1999
Western Canada Lottery Corporation	$ 2,613	$ 2,454
Trade	3,685	2,607
Restaurant working capital advance	400	-
Miscellaneous	205	629
Employee Computer Program	152	124
Lottery retailers	106	103
	$ 7,161	$ 5,917

The Corporation is the sole distributor of lottery products in Manitoba and is a partner in the Western Canada Lottery Corporation.

4. Prepaid Expense (in thousands)

	2000	1999
Manitoba Gaming Control Commission fees	$ 842	$ 757
Warranties and maintenance contracts	633	17
Deposit on entertainment contracts	280	81
Insurance	148	92
Miscellaneous	145	258
Trade deposits	109	300
Rent	107	197
	$ 2,264	$ 1,702

5. Inventories (in thousands)

Inventories are valued at the lower of cost or net realizable value.

	2000	1999
Spare parts	$ 2,820	$ 1,972
Breakopen tickets	348	282
Bingo paper	651	266
Store merchandise	113	123
	$ 3,932	$ 2,643

6. Capital Assets (in thousands)

2000

	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 4,922	$ —	$ 4,922
Furniture & equipment	110,109	84,996	25,113
Buildings & parking lots	156,534	13,230	143,304
Leasehold improvements	5,543	4,531	1,012
Capital leases	644	41	603
	$ 277,752	$ 102,798	$ 174,954

1999

	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 4,922	$ —	$ 4,922
Furniture & equipment	92,109	77,067	15,042
Buildings & parking lots	52,847	9,214	43,633
Leasehold improvements	5,046	4,233	813
Construction in progress			
-Cost	40,229	—	40,229
-Taxes	5,746	—	5,746
	$ 200,899	$ 90,514	$ 110,385

7. Accounts Payable and Accruals (in thousands)

	2000	1999
Trade	$ 13,586	$ 23,493
Vacation payable	2,018	1,452
Jackpot provision	1,544	895
Government of Manitoba	114	103
Capital lease	35	-
Western Canada Lottery Corporation	1	1
	$ 17,298	$ 25,944

8. Long Term Debt (in thousands)

	2000	1999
Loans	$ 173,409	$ 95,676
Capital lease obligations	603	-
	174,012	95,676
Less current portion of capital lease obligations	(35)	-
	$ 173,977	$ 95,676

Royal Bank of Canada, due February 28, 2001. The Corporation is currently in the process of negotiating new long-term borrowing arrangements to be in place prior to the expiry of the current facility. At present the Corporation has the option, through a Revolving Term Facility, to select a flexible term and associated interest rate. The fair market value of the Corporation's long term debt approximates its carrying value. The interest rate on existing loans range from 5.11% to 6.00%.

9. Equity Advance

The Equity advance reflects $5 million for working capital provided to the Corporation by the Government of Manitoba.

10. Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2000 fiscal year is $2,099,073 (1999 - $1,959,623).

11. Crystal Casino

The Corporation closed the Crystal Casino on July 18, 1999 and consolidated its operations with Club Regent and McPhillips Street Station. Accordingly the 1999/2000 revenues and expenses are significantly different than the comparative figures of the previous year.

12. (a) *Lease Obligations*

The future minimum rental payments relating to operating leases are as follows:

	(In thousands)
2001	$ 745
2002	622
2003	565
2004	555
2005	516
Subsequent years	2,541
	$ 5,544

(b) *Capital commitments*

The Corporation has commitments on outstanding capital projects at March 31, 2000 of $6.1 million (1999 - $25.5 million).

13. Contingencies

Various legal actions have been commenced against the Corporation and the Corporation or its insurers are defending against all claims. While the outcome of these claims cannot be determined, management is of the opinion that the outcome will not have a material adverse effect on the Corporation's financial position.

No provision has been made in the accounts of the Corporation in respect to these claims at March 31, 2000.

14. Change in Accounting Estimate

Based on an architectural evaluation and a review of the depreciation policies of other gaming jurisdictions across Canada, it was determined that both the structural and economic lives of the building and parking lots are 30 years or longer. The Corporation modified the depreciation period for building and parking lots previously depreciated on a straight-line basis over a period of 20 years. Beginning in 1999/2000, these costs are depreciated on a straight-line basis over 30 years. The impact of this change increases current year's net income by $2.2 million.

15. Uncertainty Due to Year 2000 Issues

The Year 2000 issue arises because many computer systems use two-digit numbers rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date.

Although the change in date has already occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Effective January 8, 2000

Beverly Suek, Chairperson
Winnipeg

Lloyd Levan Hall, Vice-Chairperson
Winnipeg

Nicole Campbell
Oakville

Angela Palmer
The Pas

Patricia Lane
Winnipeg

Gerald Rosenby
Winnipeg

Carolyn Wray
Winnipeg

Karen Botting
Winnipeg

Tim Valgardson
Winnipeg

Term Completed January 7, 2000

Marvelle McPherson, Chairperson
Winnipeg

Ken Cooper, Vice Chairperson
Winnipeg

Brett Arnason
Winnipeg

Brent McLean
Winnipeg

Lynn Filbert
Winnipeg

Jack Murray *
Morris

Louise Johnson
Thompson

William Wismer
Souris

Joyce Lumbard
Brandon

* *Posthumous*